

Message Text

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ACTION EB-11

INFO OCT-01 NEA-14 ISO-00 SP-03 AID-20 NSC-07 RSC-01

CIEP-03 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-03 INR-11 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 DRC-01 /132 W

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R 310630Z JUL 74

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 8097

INFO AMCONSUL DHAHRAN

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DEPT PASS TREASURY AND USDOC

E.O.: 11652: N/A

TAGS: BTRA, SA

SUBJ: GENERAL MOTORS PROPOSAL AGAIN BOTTLED UP

BEGIN SUMMARY: DURING WORKING GROUP MEETING IN RIYADH, SAG MINCOMMERCE REPRESENTATIVES TWICE RAISED PROBLEM OF GM ASKING FOR TOO MUCH IN WAY OF SUBSIDIZED ASSISTANCE. MATTER WAS DISCUSSED PRIVATELY, AND IT APPEARS IT CAN BE SOLVED ONLY BY VISIT OF HIGH LEVEL GM TEAM. EMBASSY URGES TEAM TO NEGOTIATE AT EARLIEST OPPORTUNITY. END SUMMARY.

1. DURING INDUSTRIAL WORKING GROUP MEETING IN RIYADH WITH ASSISTANT SECRETARY PARSKY, SAUDI REPRESENTATIVES OF MINISTRY OF COMMERCE TWICE MADE REFERENCE TO "A U.S. COMPANY" WHO HAD BEEN ISSUED A LICENSE TO GO INTO PRODUCTION AND WAS NOW ATTEMPTING TO MODIFY THE TERMS TO INCLUDE TWO SUBSIDIES THAT WOULD GIVE IT "A 20-30 PERCENT RATE OF RETURN."

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2. THE U.S. SIDE IN PRIVATE CONVERSATIONS DETERMINED

THAT THE COMPANY INVOLVED WAS GM AND THAT THE TECHNO-CRATS SAW DIFFICULTY IN PERMITTING GM ACQUIRING A LARGE INTEREST FREE LOAN AND PARTICULAR DIFFICULTIES IN ACQUIRING A SPECIAL SUBSIDY FOR TRAINING SAUDI WORKERS. WHEN IT WAS POINTED OUT THAT SAG HAD CREATED THE SPECIAL LOAN FUND AFTER THE LICENSE HAD BEEN ISSUED, AHMAD AL-TUWAYJIRI, DIRECTOR GENERAL INDUSTRY, ADMITTED THAT GM DID HAVE A RIGHT TO THE LOAN AND WOULD PROBABLY GET IT. HOWEVER, COUPLED WITH THE PROPOSED SUBSIDY FOR TRAINING, THE TECHNOCRATS HAD DETERMINED THAT THE RATE OF PROFIT WOULD MORE THAN DOUBLE AND WOULD BE EXCESSIVELY HIGH IN THEIR OPINION. HE REVEALED THAT NISSAN MOTORS HAD A MUCH LARGER PROPOSAL THAT WAS READY FOR APPROVAL AND IMPLEMENTATION AND THAT IF THE GM SUBSIDY WERE APPROVED, NISSAN HAD ALREADY NOTIFIED THEM IT INTENDED TO ASK FOR SIMILAR TREATMENT.

3. IN AN EARLIER CONVERSATION BETWEEN MINISTER AL-AWADI AND ECON COUNSELOR BIRD, AWADI EXPRESSED HIS DISMAY THAT GM HAD NOT SENT OUT ITS CHIEF NEGOTIATOR, GEORGE MINOR, DURING RECENT VISIT BY A GM TEAM. HE INDICATED CLEARLY THAT MINOR WOULD HAVE TO COME IF ANY EARLY DECISION WAS TO BE MADE.

COMMENT: IT IS RECOGNIZED THAT SAG IN THE PRESENT ATMOSPHERE OF WANTING TO BE HELPFUL TO U.S. BUSINESS COULD STILL MAKE A DECISION TO GO AHEAD WITH THE GM PROJECT SUBSIDIES. IT IS KNOWN THAT A PROPOSAL TO DO SO HAS BEEN HANGING FIRE IN THE COUNCIL OF MINISTERS FOR MORE THAN TWO MONTHS. HOWEVER, THE EMBASSY EVALUATES THE CHANCES AS VERY SLIM OF THEIR APPROVING THE SUBSIDIES AS WRITTEN. THIS IS A HIGH PROFILE PROJECT THAT NEEDS TO BE APPROVED AS SOON AS POSSIBLE. WE HOPE THAT USDOC, TREASURY, AND GM WOULD CONSULT AND INFORM THE EMBASSY ON THEIR DECISION AS TO HOW THEY WILL PROCEED. MINOR'S VISIT HERE IS RECOMMENDED.
HORAN

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